

# **DLA MANAGEMENT CONTROL PROGRAM**

## **FY04 Annual Statement of Assurance Briefing**



**Presented by Aviva Rogozinski**

**September 20, 2004**



## Purpose

### **This is an Information Briefing**

Today's briefing:

- Covers weaknesses and concerns included in the FY 04 Annual Statement of Assurance sent to OSD.
- Summarizes DLA Level weaknesses and concerns reported throughout the Enterprise
- Request approval to proceed with FY 04 Annual Statement of Assurance
- Back Up Materials (optional to go over)



# Definitions

**Material Weakness:** Deficiency that is a matter of interest to the next level of management, in that it

- (1) significantly impairs the mission;
- (2) deprives the public of needed services;
- (3) violates statutory or regulatory requirements;
- (4) significantly weakens safeguards against fraud, waste, or mismanagement of funds, property or other assets; or
- (5) results in a conflict of interest

**Concern:** Item that has the potential for evolving into a material weakness as a result of the absence or ineffectiveness of management controls



## Reported to OSD in Annual Statement of Assurance

**Reported to OSD: Weaknesses and Concerns** that impact other agencies/ DoD components, cannot be correct within our agency or may fall under an OSD identified systemic weakness.

**Not Reported to OSD: DLA Level Weaknesses and Concerns** that will be resolved in-house and do not impact other agencies and do not fall under an OSD systemic weakness.



# OSD Levels Reported in FY04 Annual Statement of Assurance (ASA)

## **OSD OPEN WEAKNESSES:**

- 1 New Open Weakness Identified in FY 04
- 3 Identified in FY 03
- 3 Identified in FY 02
- 1 Identified in FY 01
- 3 Identified in FY 00
- 1 Identified in FY 99

## **OSD CLOSED WEAKNESSES: 0**

## **OSD OPEN CONCERNS:**

- 2 Identified in FY 02
- 2 Identified in FY 01

## **OSD CLOSED CONCERNS:**

- 1 Identified in FY 02
- 1 Identified in FY 01



# FY04 OSD Open Weaknesses Reported in ASA

**NEW OPEN WEAKNESS: IDENTIFIED IN FY 04**

Processing of other Non-Recurring Requirement Transactions **J3** ECD: 05

**IDENTIFIED IN FY 03**

**Update**

Mass Transit Benefit Program 05	<b>DES</b>	<b>Original</b> ECD: 04 ECD:
Information System Intrusion ECD: 05	<b>DAASC</b>	ECD: 04
Insufficient "Price Reasonableness" 05	<b>DSCP</b>	ECD: 04 ECD:
Determinations at General & Industrial (G&I)		

**IDENTIFIED IN FY 02**

**Update**

Valuation of Inventories in SAMMS ECD:05 ECD: 06	<b>J3</b>	<b>Original</b>
Delinquency in Fleet Card Payments	<b>DESC</b>	



# FY 04 OSD Open Weaknesses in ASA (Cont'd)

## IDENTIFIED IN FY 00

### Update

Automated Systems Used to Prepare the DLA Working Capital Fund Financial Statements **J8** ECD: 07 No change

Internal Controls and Compliance with Laws and Regulations for DLA Working Capital Fund Financial Statements **J8** ECD: 07 No change

Navy and DLA Retail Inventory Systems Interface **J8** ECD: 06 No change

## IDENTIFIED IN FY 99

Inaccurate Reporting of Plant, Property and Equipment (PP&E) **J8** ECD: 06 No change



# Processing of Other Non-Recurring Transactions (New OSD Weakness)

**DATE: IDENTIFIED IN FY 04  
J-3**

**ECD: 05**

**KEY FINDINGS:** Processing Other Nonrecurring Requirement (ONRR) Transactions. **DoD IG Report D2003LD-0018** concluded that DLA policies and procedures for processing 35,405 other nonrecurring requirement transactions, valued at \$263.6 million, were inadequate. Consequently, DLA could miss opportunities to minimize investment dollars.

## **DLA COMPLETED ACTIONS:**

- DSCs tasked to review and validate ONRRs in file.
- Review HQ and DSC ONRR policies
- DSCs tasked to provide copies of their local policies
- DSCs completed ONRR validation
- Publish DLA ONRR policy





# Processing of Other Non-Recurring Transactions (Cont'd)

**DATE: IDENTIFIED IN FY 04**

**ECD: 05**

**J-3**

## **Planned Milestones for FY 05**

- DSCP-G&I develop ONRR policy.

## **Planned Milestones for Beyond FY 05**

- DSCP-G&I ONRR policy will be reviewed and published upon receipt.
- Complete internal HQ validation.



# OSD Open Weakness: Mass Transit Benefit Program

**DATE: Year Identified: FY 03  
DES**

**ECD: FY 05**

**KEY FINDINGS:** Review of program processes and procedures in FY 03 resulted in DES program manager contacting DoD IG to request DoD wide audit. IG report findings showed problems throughout DoD in regards to documentation of program policies, procedures and subsidized parking.

**Reason for Delay from FY 04 to FY 05 ECD:** Union held up process due to negotiating Master Labor Agreement.

## **DLA ACTIONS TO DATE:**

- HQC letter dated August 20, 2004 distributed on HQC messenger regarding parking and re-registration of vehicles, and re-certification of program participants.
- Security Office has agreed to provide support for this effort. (to include code in system to indicate Mass Transit Benefit participation).



# OSD Open Weakness: Information Systems Intrusion

**DATE:** Year Identified: FY 03  
**DAASC**

**ECD: 05**

**KEY FINDINGS:** DAASC Network Team and ISSO were notified of a high volume of email that was being dropped by the Norton Anti-Virus software due to a virus (worm). DAASC notified DLA Computer Emergency Response Team (CERT) of the incident. Because of heightened systems security awareness, DAASC was not infected with the virus and provided the CERT with information and assistance that was helpful in prevention of the worm spreading further through DLA. The worm already infected many government organizations.

**Reason for Delay from FY 04 to FY 05 ECD:** To allow program audit for verification and closure

## **DLA PLANNED ACTIONS FOR FY 04 AND FY 05:**

- Implement PKI enablement
- DAASC Profile Quarterly Reviews
- Authority to Operate (ATO) Reestablished



# OSD Open Weakness: Insufficient “Price Reasonableness” At General and Industrial (G&I)

**DATE: Year Identified: FY 03**  
**DSCP**

**ECD: 05**

**KEY FINDINGS:** DLA Special Process Procurement Management Review (PMR), June 2003 resulted in report that DSCP has a weakness with price reasonableness. This issue goes beyond the issue of first-time buys not having sufficient documentation to support pricing.

**Reason for Delay from FY 04 to FY05 ECD:** DLA Scheduled Internal Audit and a PMR to ensure compliance. Closure will be dependent on Oct 2004 DLA PMR.

## **DLA COMPLETED ACTIONS:**

- The G&I Directorate currently developing plans to address the findings of the PMR.
- Plan will identify those procurement personnel fully qualified as subject matter experts to perform mentoring and training within each



# Insufficient “Price Reasonableness” At G&I (Cont’d)

## DLA PLANNED ACTIONS:

- Analysis of internal audit statistics to assess trends and performance. Compliance should consistently remain above 85% for each CBU with a target of 90%. Overall compliance for G&I should consistently remain above 85%.
- A PMR conducted by DLA Headquarters, similar to the DLA Special Process Procurement Management Review (PMR), June 2003 under taken to assess G&I performance.
- Request physical verification by DSCP Internal Review Office for closure of material weakness. (1st Qtr FY 05).



# OSD Open Weakness: Valuation of Inventories

**DATE: Year Identified: FY 02**

**ECD: FY 06**

**J3**

## **KEY FINDINGS:**

**DoD IG Report D-2002-009**, Project D2000FJ-0067.006. The values assigned to inventories in the Defense Agency Standard Automated Material Management System (SAMMS) were not always accurate or substantiated. Correction of the inventory valuation weakness involves both: past buys and future buys.

**Reason for Delay from FY 05 to FY 06 ECD:** Item transfer process now targeted for Sep 2006 must be completed before assurance can be achieved. Corrective action plan will require review in FY 05 by team of CPA firms supporting effort.

## **DLA PLANNED ACTIONS:**

- Achieve a corrective action plan that satisfies concerns of DLA's financial auditors and the DoD IG and Comptroller elements
- Initiate monthly transfer of inventory items following system stabilization of the full functionality version (2.2) of DLA's planned BSM system.
- Complete monthly transfers of inventory items to BSM.



# OSD Open Weakness: Delinquency in Fleet Card Payments (MILSVC and DoD Agencies)

**DATE: Year Identified: FY 02**

**ECD: FY 05**

**DESC**

## **KEY FINDINGS:**

Spilt billing was initiated in FY 02. Most fuel delinquencies will no longer be an issue after all DoD components go under split billing.

**Reason for Delay from FY 04 to FY 05 ECD:** DESC has recently established

a formal Gov't Fuel Card Program Management Office with immediate responsibility to meet required program management and oversight procedures.

## **DLA PLANNED ACTIONS:**

- Complete business rules, including defined roles and responsibilities for the Government Fuel Cards for coordination amongst the Services.

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- Revise DESC web page to include a separate link for the Government



# Delinquency in Fleet Card Payments (MILSVC and DoD Agencies) (Cont'd)

## **DLA PLANNED ACTIONS (Cont'd):**

- The Fuel Card PMO web page will continue to be updated to include links for service level A/OPC's and end users including SOP's, training materials, POC's, etc.
- Complete coordination of above referenced rules and publish in the DoD Government Charge Card Business Rules Guidebook
- Complete hiring process to staff the Government Fuel Card Program Management Office.
- Establish Periodic Audit Procedures and formalize a Program Management Plan to ensure inspection and oversight
- Establish and implement a formal training program for A/OPC's and end-users including development and maintenance of a training database
- Ensure initial training and refresher training is accomplished.





# OSD Open Weakness: Reduce DLA Accounts Receivable/ Accounts Payable

**DATE: Year Identified: FY 02  
J8**

**ECD: FY 05**

**KEY FINDINGS:** Achievement of reduction on DLA A/R and A/P to an acceptable balance level predicated to take place on current prescribed due dates, deliverables being completed, documentation being available and pending claims settled. DLA financial statements will more accurately reflect the true financial position of the agency.

**Reason for Delay from FY 04 to FY 05 ECD:** Additional time required to continue review effort to reach an acceptable balance. Little or no cost and/or operational impact for delay in correcting this finding.

## **DLA COMPLETED ACTIONS:**

- Coordinated effort with procurement or fund holder to modify, cancel, or amend obligation document to the amount actually owed to the beneficiary.



# Reduce DLA Accounts Receivable/ Accounts Payable (Cont'd)

## **DLA COMPLETED ACTIONS: (Cont'd):**

- Collected, wrote-off, or closed-out supportable and valid A/R over two years old as of February 28, 2002, except those transferred to Debt Collection, OUSD(C), or the Department of Justice.
- Established allowance accounts and evaluated annual estimate.

## **Planned Milestones:**

- Implement plan to liquidate valid over aged A/P and write-off invalid payables (each DLA activity)
- Determine if A/R and A/P have reached an acceptable level.
- Coordinate and resolve open receivables and payables not within acceptable range.
- Final corrective action verified by J-308, DLA Internal Review Office.



# OSD Open Weakness: Pricing of First Time Buys in DSCP G& I and DSCC

**DATE: Year Identified: FY 01**

**ECD: FY 05 DSCP and DSCC**

**KEY FINDINGS:** PMR Team conducted a review of first-time buys at the hardware Supply Centers. Only 18% determined to be fair and reasonable or properly documented as not fair and reasonable. Also has risky practice of allowing contracting officers with warrants up to \$100,000 to sign their own work without higher level review.

**Reason for Delay from FY 04 to FY 05 ECD:** Closure of this weakness dependent upon accomplishing improvement of compliance which should Be confirmed by Oct 2004 DLA PMR. DLA acting on recommendations of Apr 2004 Audit.



# OSD Open Weakness: Pricing of First Time Buys in DSCP G& I and DSCC (Cont'd)

## DLA PLANNED ACTIONS:

- Implement plan to liquidate valid over aged A/P and write-off invalid payables (each DLA activity).
- Determine if receivables and payables have reached an acceptable level.
- Coordinate and resolve open receivables and payables not within acceptable range.
- Final corrective action verified by J-308, DLA Internal Review Office.



# OSD Open Weakness: Automated Systems Used To Prepare The DLA Working Capital Fund Financial Statements

**DATE: Year Identified: FY 00  
DEPENDENT**

**ECD: FY 07**

**J8 BSM**

## **KEY FINDINGS:**

Report No. 00-027, October 1999. The DoD IG found that insufficient information was available to adequately describe the current system Environment and DLA did not adequately reflect the effect that the system and related control deficiencies had on DLA's ability to prepare reliable financial statements. This will not be closed out until the Oversight Committees and independent audits by a CPA firm confirm correction.

Delay from

## **DLA PLANNED ACTIONS IN FY 05:**

- BSM Release 2.1.2 re: Demand/Supplier Collaboration
- FAS Bunkers Release
- BSM Release 2.1.3 re: Stratification



# Automated Systems Used To Prepare The DLA Working Capital Fund Financial Statements (Cont'd)

## **DLA PLANNED ACTIONS IN FY 05 (Cont'd):**

- FAS Into-Plane Release -Expands FAS capability to the flight-line.
- BSM Release 2.1.1 re: Suffix/Status Code

## **DLA PLANNED ACTIONS IN FY 06:**

- BSM Release 2.2 to include a full roll out of operational accounting to include payroll, travel,property accountability, BOSS procurement, and IMPAC card interfaces, reimbursable and non reimbursable internal orders employee reimbursement, and other manual obligations
- FAS OCONUS Release
- BSM Full Operational Capability

## **DLA PLANNED ACTIONS IN FY 07:**

- FAS Full Operational Capability.



# OSD Open Weakness: Internal Controls and Compliance For DLA Working Capital Fund Financial Statements

**DATE: Year Identified: FY 00**

**ECD: FY 07**

**J8**

**BSM DEPENDENT**

## **KEY FINDINGS:**

Report No. 00-027, October 1999. The DoD Inspector General (DoDIG) audit found In internal controls and compliance with laws and regulations insufficiently available to adequately describe the current system environment. DLA did not adequately reflect the effect that the system and related control deficiencies had on DLA's ability to prepare reliable financial statements. Both DFAS and DLA have on-going actions to improve the accuracy and reliability of DLA financial management information.

The Audit Committee will direct the scope of our contract with a private sector CPA firm to independently audit the key business processes. Note: Process of assessment and correction will continue indefinitely.



# Internal Controls and Compliance For DLA Working Capital Fund Financial Statements (Cont'd)

## DLA Planned Actions:

- Complete audit ability assessment on all FY 04 financial state and specific line items for FY 04.
- CPA audit firm issue Management Report on audit ability assessment.
- Require process owners (SES or Flag Officer) to develop POAMs for all reported audit ability impediments and deficiencies.
- Develop new and specific task order for audit ability assessment.
- Quarterly monitoring and reporting of audit ability assessment and FTP POAMs corrective action to the Audit Committee and through BSC.
- DLA Financial Transformation plan will be updated to address outstanding problems identified in a CPA audit firm audit ability assessment.
- Quarterly monitoring and reporting of audit ability assessment and FTP POAMs corrective action to the Audit Committee and through BSC.





# OSD Open Weakness: Navy and DLA Retail Systems Interface

**DATE: Year Identified: FY 00**

**ECD: FY 06**

**J8**

**BSM**

**DEPENDENT**

## **KEY FINDINGS:**

Risk to DLA is that the systems used by the Military Services are not compliant, data cannot be properly interfaced with DLA systems, and the value of the materiel transferred is not properly valued.

## **DLA Planned Actions:**

- Obtain agreement of financial business rules with Army, Marine Corps, and Navy.
- Obtain agreement of financial business rules with the Marine Corps
- Expand use of Service specific financial business rules with Navy, Air Force, Navy, and Army and Marine Corps activities.

## **DLA Planned Action Beyond FY 05:**

BSM once fully developed will take over full inventory asset and financial management of DLA-owned inventories at Military Service retail locations, where applicable. Verification that, within BSM, materiel transferred to DLA is properly valued, that inventory stored at Service facilities is under proper control, and that the information passed to DLA systems is complete, accurate, and reliable.



# OSD Open Weakness: Inaccurate Reporting of Plant, Property And Equipment (PP&E)

**DATE: Year Identified: FY 99  
DEPENDENT**

**ECD: FY 06**

**J8 BSM**

## **KEY FINDINGS:**

Accounts on the Financial Statements of the DLA Business Activity Groups, of the Defense Working Capital Fund for FY 99 (D-2000-133). The DoD IG found in their review of DLA's financial statements that significant un-reconciled differences between the amounts of PP&E reported in its financial statements, Defense Property Accountability System (DPAS), and the Defense Business Management System (DBMS). This finding supersedes the audit finding first reported in FY 1993. It is an ongoing audit finding where progress is being made and subsequent audit findings will reflect the remaining outstanding issues.

## **DLA Planned Action:**

FY 05: Due to systemic problems, continue manually reconciling between Financial statements, DBMS, and DPAS until variances have been eliminated. March 2006 complete transfer of property from DPAS to BSM.



# OSD ASA Closed Weaknesses

**OSD ASA CLOSED  
WEAKNESSES: None**



# OSD ASA Open Concerns

**DATE: IDENTIFIED IN FY02**

**DDC**

## **Defense Travel System (DTS)**

- Although the DLA DTS Program Manager addressed concerned In FY 02 ASA DDC continues to be concerned about visibility and knowledge of financial entries made for its depots.

## **Defense Contract Awards Reporting system (DCARS)**

**DSCC**

### **Data Accuracy**

- Small business Office: DSCC-DU reported concern regarding accuracy of DCARS. Changes and additions to DCARS were implemented in April 2003.

**DATE: IDENTIFIED IN FY01**

**DSCR**

## **First Time Buys**

- Determining fairness and reasonableness In FY 01 DSCR First Time Buys (FTBs) were at 55% and 57% in FY 02. In FY 03 they were reviewed again and FTBs were at 69%



# OSD ASA Open Concern: Defense Travel System

**DATE: Year Identified: FY 02**

**DDC**

## **KEY FINDINGS:**

DDC continues to be concerned about visibility and knowledge of financial entries made for its depots. Although DTS is very versatile and

Can be adapted to DDC's way of doing business the concern remains Open due to increased resource requirements.

DDC concern: J8 must ensure that DTS will interface timely and Correctly with Defense Business Management System (DBMS) and that adequate controls exist to monitor for compliance and/or abuse.



# OSD ASA Open Concern: Defense Contract Awards Reporting System (DCARS) Data Accuracy

**DATE: Year Identified: FY 02**  
**DSCC**

## **KEY FINDINGS:**

The root cause of the majority of the incorrect reporting is the fact that Defense Supply Center Columbus (DSCC) Internet Bid Boards System (DIBBS) currently does not collect information from vendors for each Socio/Economic category.

**Partial Solution:** Implementation of BSM Procurement Release 2. It is only a partial solution because only a small portion of NSNs will be under BSM at that point. Recording of the BSM DD350 information (for awards over \$25,000) does not currently generate an automated update in DCARS, as it will in the future.

**Final Solution:** DLA-wide implementation BSM DIBBS. The DSCC Small Business Office will continue to monitor this concern and report status and progress of resolution as part of the Management Control Program reporting system. Until the DLA-wide implementation BSM DIBBS, the corrective action of manually inputting correct data will continue, thus assuring accurate reporting.



# OSD ASA Open Concern: First Time Buys (FTBs)

**DATE: Year Identified: FY 01**

**DSCR**

## **KEY FINDINGS:**

Review initiated in response to findings and recommendations contained in the DLA report on Special Process PMR of Hardware Supply Centers in June 2001. The recommendation stated that DSCR should ensure that appropriate policy, procedures, and oversight are implemented to eliminate the management concern associated with the pricing of FTBs.

The desired result is that awareness will create a measured improvement in File documentation and coding for first time buys. A total of 57 FTBs were reviewed. Approximately, ninety-five percent (95%) of the files reviewed were found to include an acceptable price reasonable code whereas 3 or 5.26% contained unacceptable price reasonableness determinations. Two of the three reviewed were micro-purchases.

Note: There is continued difficulty in locating FTBs that are large purchases. This does not appear to represent any systematic weakness but rather an acknowledgement of how the logistics system works (i.e.; we don't usually get a big requirement for a totally new item).



# OSD ASA Closed Concern: De-obligations Backlog Of A/R and A/P

**DATE: IDENTIFIED IN FY 02**

**DRMS**

## **KEY FINDINGS ON CORRECTIVE ACTIONS TAKEN:**

DRMS in conjunction with DFAS-CO changed the way sales proceeds accounts receivable were recorded in DBMS. Problems with collections matching up to proper accounts receivable based on the way DFAS-CO processed collections.

A review of open accounts payable was completed in FY 03 and unsupported accounting entries reversed out of the system. A financial analyst was hired in FY 03 to oversee accounts payable and other related accounting procedures and entries. New procedures have been implemented that ensure payables are reviewed monthly and validated tri-annually.





# OSD ASA Closed Concern: \$14 M Transportation Costs (Fund Cite Issue)

**DATE: IDENTIFIED IN FY01**

**DRMS**

## **KEY FINDINGS ON CORRECTIVE ACTIONS TAKEN:**

Original audit conducted by the DRMS Internal Review Office found a concern that Transportation Management Offices could inadvertently or otherwise, misuse DRMS' fund cite or overcharge for transportation.

DRMS has implemented oversight procedures of transportation charges that preclude the misuse of DRMS' transportation fund site or the overcharge for transportation. DRMS now has access to the MTMC, AMC and Power track billing systems. Monthly reports are downloaded and reviewed for accuracy. This allows DRMS to verify and correct all transportation charge discrepancies. Identified discrepancies are handled with the billing agency and expensed to the proper account.



# **SUMMARY**

## **DLA LEVEL WEAKNESSES AND CONCERNS**

**DLA LEVEL: REPORTED INTERNALLY AND NOT INCLUDED IN FY 04 ANNUAL STATEMENT OF ASSURANCE TO OSD**

### **DLA LEVEL OPEN WEAKNESSES**

4 Identified in FY 02

### **DLA LEVEL OPEN CONCERNS**

1 Identified in FY 04

3 Identified in FY 03

2 Identified in FY 00

**DLA LEVEL CLOSED WEAKNESS: 0**

**DLA LEVEL CLOSED CONCERNS: 0**



# DLA Level Open Weaknesses

**DATE: IDENTIFIED IN FY 02 BY DES-I:**

**Compliance with Sustainment, Restoration Update and Modernization (SRM)**

**Original**

ECD:05

ECD:04

(Internal Review by DES-I found insufficient oversight over approximately \$300M of SRM projects)

**Compliance with Property Accountability Requirements**

ECD:05

ECD:06

(Assessment by Deloitte and Touche (D&T) of FY00 supply business area data identified deficiencies with existence, Completion and financial reconciliation as reported)

**Cell Phones, Pagers, and Calling Cards**

ECD:04 ECD:05

(Internal DLA review found lack of detailed phone listing to monitor or track phone card usage and master listing of cards issued)

**DATE: IDENTIFIED IN FY 02 BY J8**

**Original**

**Update**

**Unsupported Trial Balances**

ECD:04



# DLA: Compliance With Sustainment, Restoration And Modernization (SRM)

**DATE: Year Identified: FY 02**

**ECD: 05**

**DES-I**

DES-I internal review found insufficient oversight over approximately \$300M of SRM projects. Validation is being accomplished by HQ DLA SRM program office (DES-IP) using current automated SRM project management system in addition to review and approval of SRM project documentation for projects that exceed field activity approval amounts. There is a lack of automated visibility of DAPS, DNSC, and DESC programs.

## **Reason for delay from FY 04 to FY 05 ECD:**

Lack of DES-I oversight resources has slowed project reviews that validate project requirements/work classification and increased level of potential statutory violations and/or ineffective use of SRM funds as documented in J-308 report.

**DLA COMPLETED ACTION:** Deployment of improved automated SRM software program.

**DLA PLANNED ACTION:** 4<sup>th</sup> Qtr FY 04- Publish revised SRM policy as One Book Chapter; detailed staff from DLA field activity; expected return of DES-IP staff provided CPA 4<sup>th</sup> Qtr, FY 05- J-308 audit compliance with SRM policy and oversight control process



# DLA Level: Compliance with Property Accountability Requirements

**DATE: Year Identified: FY 02**

**ECD: FY 06**

**DES-I**

Chief Financial Officers (CFO) final assessment performed by Deloitte and Touché (D&T) of FY 00 supply business area data identified deficiencies with existence, completeness and financial reconciliation as reported. Subsequent D&T FY 2001 coverage of remaining business areas identified similar issues. DLA Audit Committee approved D&T utilization to assess PP&E processes and develop standardized processes for property management that will allow DLA to improve financial stewardship.

## **DLA COMPLETED ACTION:**

- Contractor supplementation approved by DLA Audit Committee
- Initial (Phase I) baseline contract funding authorized

## **DLA PLANNED ACTIONS:**

4<sup>th</sup> Qtr FY 04-Award initial baseline contract; publish updated PP&E policy

3<sup>rd</sup> Qtr FY 05-1<sup>st</sup> Qtr FY 06 Complete Phase I and II baseline

2<sup>nd</sup> Qtr FY 06- Audit assertion/announce deficiency correction



# DLA Level: Cell Phones, Pagers, And Calling Cards

**DATE: Year Identified: FY 02**

**ECD: FY 05**

**DES-I**

DLA internal review found lack of detailed phone listing to monitor or track phone card usage, of master listing of cards issued in HQ DLA, and recommendation for DES to establish policies and controls within area of responsibility. The utilization of hand receipts has reduced the numbers of telecommunications devices assigned, focused organizational Telecommunications Control Officers (TCO) on review of assignments and utilization of these devices, identified opportunities for realignments of billing plans based on customer utilization, and reduced operational costs.

## **DLA COMPLETED ACTION:**

Hand receipt process for all cell phones, pagers and calling cards

## **DLA PLANNED ACTION:**

1<sup>st</sup> Qtr FY 05: J-308 to audit device control process



# DLA Level: Unsupported Trial Balances

**DATE: Year Identified: FY 02  
J8**

**ECD: FY 05**

DLA has an account that DFAS tracks as '5CH0' which is not under general ledger control. This account exists solely as an element that has been included in the financial statement preparation process each year.

**Reason for delay from FY 04 to FY 05 ECD:** Initial assessment of the volume of transactions involved and the extent of the difficulty entailed in validating their balances were underestimated. J-85 will take a different approach to validating the balances to include working with the Systems Team to bring the 5CH0 corporate account under general ledger control. There will be no cost and/or operational impact as a result of the delay in correcting.



# DLA Level: Unsupported Trial Balances (Cont'd)

## **DLA COMPLETED ACTIONS:**

- Partnering with DFAS-CO, initiated a review to validate the accuracy and supportability of over aged balances reported in DLA's Account Receivables.
- All of the Claim Receivables, in 5CH0, have been identified to a particular commodity, Service and/or other Defense Agencies.
- As of Aug 03 \$8.6 million dollars have been written-off, reversed and transferred to the appropriate accounts.

## **DLA PLANNED ACTIONS:**

- Ensure BSM accommodates booking of supportable balances with full ledger control
- Coordination with BSM Team on property treatment of unsupported balances prior to transfer of BSM.
- BSM Release 2.1 will bring all commodities financial data under General Ledger, including the Corporate Account 5CH0
- DFAS-Columbus and DLA validate and maintain general ledger control of HQ level adjustments in BSM





# DLA Level Closed Weaknesses

**None**



# DLA Level FY 04 Open Concerns

## **DATE: IDENTIFIED IN FY 04: solution to be implemented in FY 05**

### INFRASTRUCTURE MANAGEMENT

(ensure DAASC logistics systems and services are accessible to customers and metrics

DAASC

are in place to ensure quality service-solution: periodic customer surveys)

## **DATE: IDENTIFIED IN FY 03**

DISPUTE CONTRACT DISPUTE WITH LABAT-ANDERSON

DDC

CONTRACT AT DDCN WITH LABAT ANDERSON

(Alternate Dispute Resolution was unsuccessful. contracts continue at this time and LABAT is expected to file monetary claims)

TERMINATED CONTRACT WITH MANCON/LABAT ANDERSON

DDC

(Distribution Services at Defense Dist. Depot Jacksonville (DDJF))

A76 (A-76 process operated by Govt Owned Contractor Operated or Most

DDC

Efficient Organization-solution: enhance cost visibility through unique codes

For costs associated with workload processing and reimbursable workload)

## **DATE: IDENTIFIED IN FY 00**

INAPPROPRIATE RELEASE OF MLI/CLII ( Defense Study Board

J3

Indicated MILSVC Qualified Recycling Programs may be an avenue)

DEFENSE FEDERAL ACQUISITION REGULATION

J3

(DFAR) SUPPLEMENT (Lack of definitive guidance to contractor inventory for

Disposing of critical/sensitive material designated as MLI/CCLI)



# DLA Open Concern: Infrastructure Management

**DATE: YEAR IDENTIFIED IN FY 04:            ECD: FY 05**  
**DAASC**

There is no formal method in place to measure customer satisfaction. DAASC intends to implement metrics into the DAASC web site and to apply measures to collect customer data in the log on/log off processes of the DAASC systems. DAASC is evaluating options for conducting a formal, periodic survey of customer satisfaction that will be implemented in FY 05.



# DLA Open Concern: Dispute Costs Associated With Contract At DDCN With Management Consulting, Inc. (MANCON)/LABAT Anderson

**DATE: Year Identified: FY 03**

**DDC**

The Alternate Dispute Resolution (ADR) held in December 2003 was unsuccessful. At this time, DDC is scheduled to brief DLA Headquarters on July 1, 2004, on what steps will be taken to either Terminate (T) for Convenience (C) or continue with performance through the end of the base period, which is November 30, 2004. Anticipate a claim from the contractor on the outstanding cost issues on the current contract.



# DLA Open Concern: Terminated Contract With MANCON For Distribution Services At DDJF

**DATE: Year Identified: FY 03  
DDC**

Currently, the Continuing Government Workforce is still in place at the Defense Distribution Depot Jacksonville FL (DDJF) and will remain in place until award is made to private industry. The anticipated award date is scheduled for December 2004. At the Defense Distribution Depot Warner Robins, GA (DDWG) and Barstow, CA (DDBC), the anticipated award date for the recompetitions is July 2004. The DDC continues to work towards resolution of a contract dispute with Labat Anderson regarding operations at the Defense Distribution Depot Cherry Point, NC (DDCN).

The DDC has been very proactive in incorporating lessons learned from these early A-76 competitions, to include major revisions to the Performance Work Statement (PWS) language and training of members of the Source Selection Evaluation Board.



# DLA Open Concern: A76

**DATE: Year Identified: FY 03**  
**DDC**

As a result of the publication of the Revised OMB Circular A-76 in May 2003, the DDC requested and received waiver authority to complete the competitions of Defense Distribution Depots at Corpus Christi, TX (DDCT), and Anniston, AL (DDAA), under previous guidance, and is planning its approach and implementation of the revised guidance in its competitions at Distribution Depots at Oklahoma City, OK (DDOO); Red River, TX (DDRT); and Norfolk, VA (DDNV). A schedule for future DDC competitions is currently under review.



# DLA Open Concern: Inappropriate Release of MLI/CCLI Commerce Control List Items Through Military Service Qualified Recycling Programs

**DATE: Year Identified: FY 00**

**J3**

Site visits and the Defense Science Board study indicated that the MILSVC Qualified Recycling Programs may be an avenue for the release of MLI/CCLI to the general public. The current DEMIL Manual does not have any restrictions levied on the MILSVC QRP programs in regard to the sale of MLI/CCLI items. Currently there are no requirements for the DRMO's or DLA J-372 to do site visits.

**DLA COMPLETED ACTION:** DLA is coordinating within the agency for formulation of the final draft. J-372 will conduct a manual coordination meeting in August to coordinate all changes. When a coordinated draft has been completed the manual will enter the formal SD-106 coordination process. Coordination will be accomplished in accordance with DOD 5025.1-M, DOD Directives System Procedures.

**DLA PLANNED ACTION:** Once the manual is published, visits to the MILSVC QRP will be scheduled.



# DLA Open Concern: Defense Acquisition Regulation Supplement Clause

**DATE: Year Identified: FY 00**

**J3**

Lack of definitive guidance to the contractor inventory community for the disposition of critical/sensitive material designated as MLI/CCLI and Or DEMIL. J-37 has been working with OSD and the Services to draft a DFARS Clause.

**DLA PLANNED ACTION:** J-3 is coordinating within the agency for formulation of the final draft. When a coordinated draft has been completed the draft manual will enter the formal SD 106 Coordination process. Coordination will be accomplished in accordance with DOD 5025.1-M, DOD Directives System Procedures.

**DLA Planned FY 05 Action** : Once the manual is published, DFARS Clause on this issue will be posted to the Federal Register for public comment and subsequent publication as a final rule.

**DLA Planned FY 06 and beyond Action:** Periodic visits will be scheduled to the Plant Clearance Offices to ensure compliance.





# DLA Closed Concerns

**NONE**



# DLA FY 04 Open Field Weaknesses

## DATE: IDENTIFIED IN FY01:

- DSCR: Environmental Liability ECD: 06
- DSCR: Real Property Infrastructure ECD: 06
- DSS-I: Cost Account Structure Allows a Single Expenditure to be reported under Multiple Accounts ECD: 05

## DATE: IDENTIFIED IN FY97:

- DSCR: Reconciliation of Documents and ADPE ECD: 04

## DATE: IDENTIFIED IN FY88:

- DSCP: Visibility of Inventory Intransits (Subsistence) ECD: 06

## DATE: IDENTIFIED IN FY87:

- DSCP: Lack of Comprehensive GAO-Approved Automated System for subsistence ECD: 06

## DATE: IDENTIFIED IN FY85:

- DSCP: Accuracy of Inventory Adjustments ECD: 06

## DATE: IDENTIFIED IN FY84:

- DSCP: Lack of Adequate Controls/ Procedures for Property ECD: 05



# DLA FY 04 Closed Field Weaknesses

**NONE**



# DLA FY 04 Open Field Level Concerns

## **DATE: IDENTIFIED IN FY 03:**

High Volume of Sales Exhaust Some Field Components  
DNSC

## **DATE: IDENTIFIED IN FY 02:**

Strategic Human Capital Management  
DAASC

## **DATE: IDENTIFIED IN FY01:**

Audit Trails for DWAS  
DWAS Reporting Doesn't March SF 133 Statements  
DAPS

DAPS



# DLA FY 04 Closed Field Level Concerns

## **DATE CONCERN WAS IDENTIFIED: FY 02**

Information Security DAASC

DoD Financial and Acquisition Management(Purchase Cards)  
DAASC

Continuity of Operations Plan DAASC

Ft Belvoir Telecommunication Security Certification DES  
Officer (TSCO) of Telephone Services (Pagers, Cell  
Phones and Calling Cards)

Inventory Records Discrepancies DNSC

## **DATE CONCERN WAS IDENTIFIED: FY01:**

IMPAC Program DDC

Travel Card Program DDC

Inventory Accuracy DDC